211 CMR 85.00: MASSACHUSETTS AUTOMOBILE INSURANCE: TABLE OF SHORT RATE VALUES

The Commissioner of Insurance is authorized by M.G.L. c. 175, s. 113A to establish short rate values to determine the premium charge on a Massachusetts motor vehicle insurance policy which is voluntarily cancelled by an insured before it has been in effect for 12 months. The short rate value shall be equal to either the *pro rata* earned premium or the pro rata earned premium plus a surcharge. For the purpose of 211 CMR 85.00 the *pro rata* earned premium shall be calculated by dividing the full 12-month earned premium by the number of days in the year and then multiplying the quotient by the actual calendar days of coverage. In no event shall the pro rata earned premium plus the surcharge exceed the full 12-month earned premium. A 12-month earned premium is to be used as the basis for calculating short rate values even if the policy is issued for a period in excess of 12 months.

The short rate value shall be equal to the *pro rata* earned premium if

(1) the insured voluntarily cancels a policy within 310 days of receiving both

(a) a buyer's information guide as prescribed by the Commissioner pursuant to his authority under M.G.L. c. 175, § 113B and c. 175E, § 11 and

(b) either a bill for such policy itemized for all coverages purchased, or a completed coverage selections page or similar correctly itemized statement of the cost of all coverages included in such policy, whichever occurs earlier;

(2) the insured voluntarily cancels a policy within 31 days of receiving notice, in accordance with the Plan of Operation of the Massachusetts Motor Vehicle Reinsurance Facility, that such policy has been or will be ceded to the Facility; or

(3) the insured voluntarily cancels a policy for which premium charges have been fixed and established by the Commissioner in accordance with the provisions of M.G.L. c. 175, § 113B pursuant to M.G.L. c. 175E, § 5.

In all other instances in which an insured voluntarily cancels a policy which has been in effect, after the close of the 31 day period required above, for exactly X months or more than X months and less than Y months, the short rate value shall be calculated by adding a surcharge of Z% of the the 12-month earned premium to the pro rata earned premium in accordance with the following table:

Table 1.

X	Y	Z
0	1	6.0%
1	2	5.5%
2	3	5.0%
3	4	4.5%
4	5	4.0%
5	6	3.5%
6	7	3.0%
7	8	2.5%
8	9	2.0%
9	10	1.5%
10	11	1.0%
11	12	0.5%

Example

To compute the Short Rate premium on a coverage with a 12-month premium of $300, which was cancelled after 73 days after the close of the 31 day review period, one would first compute the *pro rata* earned premium as $300/365 x 73 or $60. One would then multiply the applicable percentage from the table above, here 5.0%, by the $300 12-month premium to obtain a short rate surcharge of $15. The total short rate premium would then be $75.

REGULATORY AUTHORITY

211 CMR 85.00: M.G.L. c. 175, § 113A; c. 175E, § 10.

NON-TEXT PAGE